

Michael R. Brown, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: JUNE 9, 2011

PLACE: SALT LAKE CITY, UTAH

ATTENDING: BOARD

Michael R. Brown
Dan Lofgren
Steve Ostler
David Lambert
Dave Ure
Mike Mower

STAFF

Kevin S. Carter
Tom Faddies
Elise Erler
Lisa Schneider
Doug Buchi
Brent Bluth
NormaLee McMichael
LaVonne Garrison
Rick Wilcox
John Andrews
Michelle McConkie
Dave Hebertson
Will Stokes
Rodger Mitchell

OTHERS IN ATTENDANCE

Karen Rupp, State Office of Education
Tim Donaldson, State Office of Education
Ric McBrier, Friend
Paula Plant, State Office of Education
Tyler Slack, Utah PTA
Jill Flygare, Governor's Office of Planning & Budget
Sheri Quinn, KUER
Martell Menlove, Utah State Office of Education
Margaret Bird, Utah State office of Education
Nannette Johnson

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Chairman Brown welcomed Board members, Staff, and guests to the meeting. He thanked the Director, Mr. Buchi, and Staff members for an excellent field trip to Washington County last month. Mr. Cononelos is not in attendance today, as he is out of town. It was also noted that Mr. Cononelos had received outstanding national recognition for the decrease in the amount of emissions from the Kennecott operation.

1. Approval of Minutes

The Board approved the minutes of April 14, 2011.

Lambert / Mower. Unanimously approved.

“I move that we approve the Board minutes of April 14, 2011.”

Roll Call:

Mr. Lofgren - - yes	Mr. Lambert - - yes
Mr. Ure - - yes	Mr. Ostler - - yes
Mr. Mower - - yes	Mr. Brown - - yes

2. Confirmation of Upcoming Meeting Dates

The Board, without motion, confirmed the following upcoming meeting dates:

July - - no meeting
July 10-14 - - WSLCA, Rapid City, South Dakota
August 18 - - Salt Lake City
September 8 - - Salt Lake City
October 12 - - tour of West Utah Lake
October 13 - - Salt Lake City
November 17 - - Salt Lake City
December - - No meeting

Director Carter noted that, because of the change in the statute in the last legislative session, we will be approving the budget in August instead of September.

3. Chairman's Report

a. Beneficiary Report

Ms. Bird stated that Trust Lands Administration is working on a DVD about what Trust Lands does and how the money gets to the schools. The beneficiaries are also working on a DVD that goes hand in hand with the Trust Lands video and trains schools and some of the Community Councils on how to use the money. They will have a handout with it. If Trust Lands wants to have a handout, they will include it with their DVD also. She noted Mr. Hebertson is helping them with their video. They are trying to make the video shorter and include more information in the handout. These videos will be mailed to every school and will be on their website, with a link to the Trust Lands' website. These will also be on Trust Lands' website and probably on U-Tube.

Ms. Bird also noted that CLASS has done considerable research and written a report on each of the 20 states that have trust lands. After that is presented to the Western States Land Commissioners Conference in July, they will be able to share that information with the Board.

b. Report From Section 29 Committee

Director Carter reviewed the meeting of the Section 29 Committee with the Board. The committee has met several times. The Board had engaged Mr. Gayle McKeachnie to do an internal review. The committee included Chairman Brown, Dave Lambert, Dave Ure, Margaret Bird, Tim Donaldson, and Kevin Carter. Ms. Garrison attended one meeting.

Director Carter noted that some things came out of the report as to the way we do business to make sure we don't repeat some of the problems from the past. One of the things suggested was to convene a complex transaction internal review committee. This ensures that things get reviewed by many eyes. We had a committee in-house that put together some recommendations to review complex transactions. The types of transactions that will be reviewed by this committee are alternative and renewable energy transactions, other business arrangements, etc. These are the types of transactions that will be looked at by more people before they are implemented. The accounting and auditing people will know what the deal is so that they can alert us to what any problems might be in collecting payments and auditing it.

It was also suggested that we develop a legal checklist. This will help lease managers keep up on what needs to be continually watched. We are still working on this.

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3. Chairman's Report (cont'd)

b. Report From Section 29 Committee (cont'd)

Staff engaged Chairman Brown to do a functional retreat meeting - - who owns, does, and supports tasks. Management Team met on this, and it was a positive experience.

It also was suggested that we broadcast Board meetings in-house so that Staff can listen from their desks. We are doing this.

Director Carter stated that also coming out of the Section 29 Committee meetings was that the Board adopt a policy on how to do follow-up on some items. He gave the Board a draft policy that would address this on transactions other than development (we already have a policy on them) and reviewed it with them. It was noted this will be on transactions that are approved by the Board. There would be some transactions that would not warrant this. Staff can work with this policy for a while to see if it works for us or if it needs to be amended.

Director Carter noted there had been a concern regarding governmental immunity for Board members. Mr. Donaldson had reviewed this with the Attorney General's Office and determined that Board members would be covered under this Act. The committee felt comfortable with this answer.

At this point, the Director noted the committee discussed a review of the "tail" in the transaction and the values that might be involved. This issue needed to be discussed in closed session due to the proprietary nature of the issue.

Lofgren / Mower. Unanimously approved.

"I move we go into closed session for the discussion of proprietary information."

Roll Call:

Mr. Lofgren - - yes

Mr. Ure - - yes

Mr. Mower - - yes

Mr. Lambert - - yes

Mr. Ostler - - yes

Mr. Brown - - yes

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3. Chairman's Report (cont'd)

b. Report From Section 29 Committee (cont'd)

The Board went into closed session at 9:32 a.m. Those in attendance were Board members, Director Carter, Tim Donaldson, Margaret Bird, Martell Menlove, LaVonne Garrison, and Lynda Belnap. The Board returned to open session at 10:12 a.m.

Mower / Lambert. Unanimously approved.

"I move we return to open session."

Roll Call:

Mr. Lofgren - - yes

Mr. Lambert - - yes

Mr. Ure - - yes

Mr. Ostler - - yes

Mr. Mower - - yes

Mr. Brown - - yes

4. Director's Report

a. Public Lands Discussion

Mr. John Andrews reviewed the public lands issues with the Board through a power-point presentation as follows:

* Wild Lands & Wilderness

* Salazar's Retreat - - June 1 statement that no new wild lands will be designated under Secretarial Order 3310.

* Background: Appropriations rider prohibiting implementation of policy through September 30, 2011; other pressure from House committees.

* What does the statement mean?

* Wild Lands order remains in place, but no lands will be designated. What happens after September 30?

* Wilderness inventories will continue using more lenient standards for wilderness in the wild lands order.

* Does the retreat remove the basis for litigation?

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4. Director's Report (cont'd)

a. Public Lands Discussion (cont'd)

- * County litigation filed in Judge Waddoups court; State of Utah litigation consolidated.
- * U.S. answer due July 8; response likely to assert that Salazar retreat mooted the case.
- * SITLA had been working to retain outside counsel; will reevaluate actions based on Salazar retreat, action on county lands bills.
- * D.C. RMP cases are back in play due to apparent falling out between DOI and SUWA.

Director Carter noted that yesterday he was in a meeting with Bob Abbey of BLM. Mr. Hayes, Deputy Secretary of Interior, was there discussing the master leasing plan. Most people think this is an environmental strategy. It was found out yesterday that it was Bob Abbey's idea to do this. Mr. Abbey thinks that, by doing this, it will better lay out defining guidelines and the court would allow mineral leasing to go forward. Director Carter stated they also asked if they felt that the master leasing plan was a five-year moratorium. Mr. Abbey stated it would be 12-14 months. This meeting was put on by the National Energy Strategies.

- * County Land Bills - Exchanges
 - * The Board's policy has gotten attention - - high-level interest in the SITLA exchange issue
 - * Senator Bennett/Secretary Salazar meetings
 - * Governor Herbert 4/25/11 letter to Secretary Salazar
 - * Initial information meeting with BLM 6/8/11
 - * Special Assistant to BLM director tasked with issue
 - * Our ask: look back at what worked (and didn't) and keep it out of the bureaucratic process
 - * Selections and revenue-sharing model discussed

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4. Director's Report (cont'd)

a. Public Lands Discussion (cont'd)

* County Land Bills - - Current Status

- * Senator Lee's issue - - involve the Utah Legislature
 - * What does this require? Range from full legislative approval of final bill to interim committee support of process. No answer yet.
 - * June 15 NAE Interim Committee hearing
- * Current discussions
 - * Piute first; no major trust lands issue
 - * Emery, San Juan, and Wayne behind
 - * We're working on conceptual land packages for Emery and San Juan

Mr. Mower indicated he had talked with Senator Lee's office, and they don't want an acre-by-acre approval by the legislature, but that the legislature just gives a "thumbs up" as to what the Interim Committee that dealt with it decided. They are still trying to decide what form this will take. Director Carter stated that Representative Barrus and Senator Okerland need to be informed of this.

* WSLCA Selections Proposal

- * Proposal to allow western states to relinquish lands in federal conservation designations and select replacement lands - - bypass exchange process.
- * Formal support from Wyoming and Idaho; information support from Montana and New Mexico
- * Target to introduce legislation after WSLCA meeting in July; seeking (D) co-sponsorship/support
- * Informational meetings with Congressional staff and states ongoing.

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4. Director's Report (cont'd)

a. Public Lands Discussion (cont'd)

* Sage Grouse

- * USFWS will review sage grouse status as of 9/30/2015 and list it under the ESA unless formal state-level protections are in place west-wide.
- * UDWR effort to amend state management plan to incorporate more formal protections, including expansion of buffers around leks
- * WWP litigation in Idaho will force BLM to revise RMPs to incorporate greater protections similar to Utah plan.

Chairman Brown stated that, at this point, us funding a law suit on the wild lands designation is questionable because we can't demonstrate damage or hurt. Mr. Andrews stated the Secretary backing down is at least going to give the U.S. that argument. We still could argue that the portions of the policy that he didn't withdraw dealing with how wilderness areas are defined is a violation of the Administrative Procedures Act. The Order is still in place; he has just stated he won't exercise it until after September 30, 2011. DOI could withdraw the Order fully. We are just assessing whether litigation would be needed or not.

Chairman Brown stated we are still working to make sure we have standing in the event this would impact us. Mr. Andrews noted our last opportunity to do this is months away at this point in time. There is no significant time deadline right now. What would force us to move is for the United States to file a Motion to Dismiss. We would need to intervene before the Motion to Dismiss is briefed by the State of Utah and that cycle begins.

Ms. Paula Plant stated that she recalls that Representative Brad Johnson stated that it is already required by the legislature to approve the land exchange. How is that different from Senator Lee's request. Mr. Andrews stated Senator Lee not only wants the legislature to approve the legislation, but also the outlines, etc., for the wilderness process. Ms. Bird noted she wants to make sure we are doing something to get something for the acres in the county exchanges; i.e., 1000 acres in the Piute County bill. Director Carter noted there are no mineral issues involved there.

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4. Director's Report (cont'd)

b. Presentation of FY 12 Working Budget

Director Carter presented the working budget to the Board. He reviewed the budget process. In August we will bring a budget to the Board for the fiscal year to be adopted. The information is then provided to the Governor's Office. That is built into the governor's budget. Some time in the Fall we have the opportunity to meet with the Governor's Office staff to defend our budget. Last year they supported everything we asked for. The legislature takes the Governor's budget and reviews it. Some time in January we have a hearing before our Appropriations Subcommittee to present our budget to the legislature. Each appropriation sub-committee deals with a component of the budget. We are under the Natural Resources, Agriculture, and Energy committee. They craft a budget in those areas to be adopted by the Executive Appropriations Committee. Our legislative committee adopted the budget that this Board had approved last September. That budget begins July 1, 2011.

Director Carter noted that, before we start spending that money, we like to review it with the Board. The Board had material showing the budget as approved. For the working budget for FY 12, \$9,841,000 was appropriated. Staff is asking that our working budget be approved at \$9,671,000. He also reviewed the capital expense budget. We are going to spend significantly less in the capital budget for this fiscal year. We are going to return about \$10 million of this appropriation. We have a very healthy relationship with our appropriation subcommittee and the legislature. We don't spend it just so we don't lose it. We have been honorable about spending it, and they trust us.

Director Carter noted there is one difference on what the Board will approve and what the legislature approved. We gave \$312,000 back because of some cost savings we had implemented. They took that out of what the Board had approved. It was the right thing to do.

Ms. Bird stated she is very pleased to see that most groups improved their estimates and cut costs except for Development. Mr. Mower stated this is because it has been a very tough market and they did cut some personnel costs, etc. Ms. Bird stated the estimates were made after the market was down. They still had less than they estimated. It is a growing concern for the beneficiaries. Mr. Lofgren stated that in pursuit of income we don't want to start discounting land values. Ms. Bird stated we need to look at our expenses in Development. Mr. Buchi stated he appreciated the concern. It is important to know that timing for when this anticipated money to come in from a real estate project is precarious. We have carried over for the second year some projects of about \$2.4 million. We have kept them under contract by allowing them to extend; but, in the

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4. Director's Report (cont'd)

b. Presentation of FY 12 Working Budget (cont'd)

process of doing that, we have required them to make a principal pay down in addition to paying interest payments of eight percent. That lease is still in place and is expected in time to fully monetize. We wish we could better predict when things would turn around, but we can't. In addition to that, there have been two sale potential opportunities that have fallen back in their timing.

Director Carter stated the comments from the beneficiaries are that, when income is low, you need to look at what you are spending. We have a great opportunity now to build during this down time. We will still make more money than we are spending.

Mr. Ostler thanked the agency. He thinks that, as you look at the bottom line, we are \$10.5 million better than what the budget predicted.

The Board, without motion, stated "GFC" - - go forth and conquer! Staff will proceed with the working budget as presented.

c. Director's Update on Issues

Director Carter updated the Board on agency issues as follows:

- * Personnel Changes
 - * Employees leaving
 - * Lina Haggard - GIS
 - * Stephanie Barber-Renteria - Legal
 - * New Assignments
 - * John Blake - - Deputy Assistant Director, Minerals
 - * Andy Bedingfield - transfer from Surface to Minerals
 - * New Employees
 - * Nannette Johnson - Administrative Assistant
- * May Land Sale Results
 - * Sold four properties
 - * Total amount of sale: \$1,295,000

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4. Director's Report (cont'd)

d. Development Report

I. Request for Modification of SunRiver Lease

Due to the discussion of proprietary information, this item was handled in closed session.

Ure / Ostler. Motion approved.

"I move we go into closed session for the discussion of real estate values and proprietary information."

Roll Call:

Mr. Lofgren - - yes	Mr. Lambert - - yes
Mr. Ure - - yes	Mr. Ostler - - yes
Mr. Mower - - absent at vote	Mr. Brown - - yes

The Board went into closed session at 11:57 a.m. Those in attendance were Board members, Kevin Carter, Doug Buchi, Brent Bluth, and Paula Plant. The Board returned to open session at 12:15 p.m.

Ure / Mower. Motion approved.

"I move we return to open session."

Roll Call:

Mr. Lofgren - - absent at vote	Mr. Lambert - - yes
Mr. Ure - - yes	Mr. Ostler - - yes
Mr. Mower - - yes	Mr. Brown - - yes

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4. Director's Report (cont'd)

d. Development Report (cont'd)

II. Eagle Mountain Mid-Valley Project - Middle School Site Sale

Ms. Erler stated this is a supporting transaction and a non-competitive sale according to the Development rules. She reviewed this issue with the Board through a power-point presentation as follows:

- * Mid-Valley Project
 - * Middle School Sale
 - * Off-site Improvements
 - * Entitlements
 - * 3,588 Units (3 u/ac)
 - * 1,196 acres
 - * 900 residential
 - * 119 commercial
 - * 177 parks and schools
 - * Investment
 - * \$2.4M improvements
 - * \$7M water rights
 - * Middle School Site
 - * Proposed transaction
 - * 25 acres - improved lot
 - * Revenue = \$1 million
 - * Includes \$200,000 earnest money
 - * Close by December 30, 2011
 - * Subject to Board approval:
 - * SITLA
 - * Alpine School District
 - * Offsite Infrastructure
 - * Major
 - * Sewer Trunk Line
 - * Natural Gas Loop

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4. Director's Report (cont'd)

d. Development Report (cont'd)

II. Eagle Mountain Mid-Valley Project - Middle School Site Sale (cont'd)

*	Lateral			
	* Utilities			
	* Mid-Valley Road			
*	Offsite Infrastructure			
	<u>Offsite Improvement</u>			<u>Engineer's Cost Estimate</u>
*	Major			
	* Sewer Trunk Line			\$0.9 million
	* Natural Gas Loop			\$0.4 million
	* Total - Major			\$1.3 million
*	Lateral			
	* Utilities			\$0.3 million
	* Mid-Valley Road			\$0.6 million
	* Total - Lateral			\$0.9 million
	* Total Off-site improvements			\$2.2 million
*	Investment			
		<u>\$</u>	<u>Acres</u>	<u>\$/Acre</u>
*	Improvements			
	* To Date	\$2.4 mil	900	\$2,700
	* Proposed	\$2.2 mil	340	\$6,500
	* Total	\$4.6 mil		\$9,200
*	Sale Price - Improve Lot			\$40,000
*	Net to Trust			\$30,800
*	Request			
	* Board approval - - proposed sale of improved lot for middle school.			

4. Director's Report (cont'd)

d. Development Report (cont'd)

II. Eagle Mountain Mid-Valley Project - Middle School Site Sale (cont'd)

The question was raised as to whether this is too early to be doing this? It was noted there are other projects wanting to locate in this area, but only if the infrastructure is in. The school is to be built about February 2012, and the infrastructure should be built in December 2011. Mr. Lofgren noted that, if the infrastructure is not built, the deal unwinds. He thought this was quite an aggressive time line. Is there no negotiation on the time line? Mr. McKay Edwards stated that, if asphalt, etc., was not in, it would not break the deal. Mr. Buchi noted he had similar concerns. He thinks the escape clause should be modified in the sale agreement to give us more room to complete the infrastructure. Mr. Lofgren stated there is risk in doing this. We can live with a best-interest clause, but the school needs to be held accountable to purchase the land. This needs to be put in the sale contract. We are taking a risk to make a site for them. Is this really the time to invest? Mr. Lofgren stated he is comfortable that it is because you will never get this work done less expensive than now.

Mr. Edwards stated that the opportunity to capture both the middle school and a high school is good for us. These schools fulfill the vision we had for this eight years ago when we started this area. He thinks this is a timely opportunity to build now. He stated the suggested language is valid to include.

Mr. Buchi stated he is absolutely in favor of the school being built there. This will be an anchor in this development. His only concern is that, if we are going to make the commitment to make the infrastructure for the school, we need to make sure we have the school. Mr. Mower asked if the beneficiaries had been contacted, since this is a business risk? Ms. Bird stated she is worried about the agency getting too far out on these infrastructure projects. Mr. Edwards stated our Staff has built a great rapport with the city, and the mayor would also like to see the school at this site.

Mr. Ure asked if we had adequate roads in place? Mr. Edwards said we built some roads in 2003 to connect the vital part of the area. Mr. Lofgren noted we have to take advantage of the economic conditions to build these types of improvements. Mr. Ostler stated he doesn't have any hesitation with the sale.

4. Director's Report (cont'd)

d. Development Report (cont'd)

II. Eagle Mountain Mid-Valley Project - Middle School Site Sale (cont'd)

Lofgren / Ostler. Unanimously approved.

"I move we approve the transaction with the exception that provisions for completion of the due diligence currently identified with a deadline of December 2011 be modified so that Trust Lands' obligation would be to pursue the improvements with best efforts with an outside date of July 1, 2012, for completion."

Roll Call:

Mr. Lofgren - - yes

Mr. Lambert - - yes

Mr. Ure - - yes

Mr. Ostler - - yes

Mr. Mower - - yes

Mr. Brown - - yes

It was noted this doesn't necessarily mean the closing has to be postponed. We would be willing to postpone it until infrastructure is in. Ms. Erler noted this is still subject to the Alpine School District approval.

e. Oil and Gas Group Report

I. Five-year Plan Update

Ms. Garrison noted that several of the 2011 objectives for Oil and Gas required that information be brought to the Board in its June meeting. She had previously sent information to the Board with the agenda for this meeting. The Board had no questions or concerns regarding this reporting information. Mr. Lambert commented that he and Ms. Garrison had held a meeting on #2, and Paul Anderson is working with Ms. Garrison on high-grading. We are trying to establish as large of inventory as we can.

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5. Election of Chairman and Vice-Chairman

Elections were held for Chairman and Vice-Chairman.

Mower / Lofgren. Unanimously approved.

“I move we nominate Mike Brown to serve as chairman.”

Roll Call:

Mr. Lofgren - - yes	Mr. Lambert - - yes
Mr. Ure - - yes	Mr. Ostler - - yes
Mr. Mower - - yes	Mr. Brown - - yes

Ostler / Mower. Unanimously approved.

“I move that we nominate Dan Lofgren as vice-chairman.”

Roll Call:

Mr. Lofgren - - yes	Mr. Lambert - - yes
Mr. Ure - - yes	Mr. Ostler - - yes
Mr. Mower - - yes	Mr. Brown - - yes

The Board thanked Mr. Brown and Mr. Lofgren for their previous service and for their willingness to continue to serve another year.

6. Presentation to David J. Lambert

Director Carter stated that Mr. Lambert is leaving the Board at the end of June. We have appreciated his wisdom, knowledge, and friendship. We think he is leaving way too soon!! He and Chairman Brown presented Mr. Lambert with some gifts. Mr. Lambert responded that a couple of years ago he learned that trust lands are not state lands. He thanked the Board members, Staff, and beneficiaries for their friendship and service.

Chairman Brown stated that Mr. Lambert has been a great mentor to him on oil and gas issues. He has appreciated his service and help on the Board of Trustees. Ms. Paula Plant expressed appreciation to Mr. Lambert on behalf of the beneficiaries. They are grateful for his service. They are grateful for all the Board members who serve the schoolchildren.

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7. Consent Calendar

- a. Proposed Negotiated Sale to East Carbon City and Sunnyside City (PS 8484)

There were no comments on this item, so it is approved.

- b. Other Business Arrangement - - Oil Shale-OBA 51985 - - Ambre Energy Technology, LLC - - Uintah County, Utah

There were no comments on this item, so it is approved.

- c. Other Business Arrangement - Bituminous/Asphaltic Sands Leases - - P.R. Spring Block, Grand County, Utah - - Earth Energy Resources, Inc.

There were no comments on this item, so it is approved.

Notification:

- d. Negotiated Sale to Blaine and Mary Ann Luke - PS 8471 - Emery County, Utah

This item was for notification to the Board. There were no comments on it.

- e. Other Business Arrangement Extension - ML 50510-OBA

This item was for notification to the Board. There were no comments on it.

Upon motion by Mr. Ure, the meeting adjourned at 12:30 p.m.